

Message Text

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ACTION NEA-16

INFO OCT-01 ISO-00 AID-20 CIAE-00 COME-00 EB-11 FRB-03

INR-11 NSAE-00 RSC-01 TRSE-00 XMB-07 OPIC-12 SP-03

CIEP-03 LAB-06 SIL-01 OMB-01 L-03 H-03 PA-04 USIA-15

PRS-01 SS-20 NSC-07 DRC-01 /150 W

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R 191333Z SEP 74

FM AMEMBASSY BEIRUT

TO SECSTATE WASHDC 373

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E.O. 11652: N/A

TAGS: EFIN, LE

SUBJECT: FURTHER CENTRAL BANK MEASURES TO STRENGTH DOLLAR

REF: BEIRUT 9035

1. WHETHER AS A RESULT OF THE TOURIST INFLUX OR THE ADVANTAGES OF THE BANK SECRECY LAW, THE MEASURES TAKEN LAST JULY BY THE CENTRAL BANK TO STRENGTH THE DOLLAR (REFTEL) HAVE NOT PROVED VERY SUCCESSFUL AND THE DOLLAR IS NOW BACK TO THE LL 2.24-LL 2.25 LEVEL.

2. A FURTHER MEASURE HAS NOW BEEN ANNOUNCED. THIS INVOLVES CENTRAL BANK WILLINGNESS TO PURCHASE AT THE MARKET RATE ALL DOLLARS OFFERED BY THE BANKS. ONLY 25 PER CENT OF THE LEBANESE POUNDS PURCHASED, HOWEVER, WOULD BE PLACED IN THE BANKS' CURRENT ACCOUNT. THE BALANCE WOULD BE PLACED IN A BLOCKED ACCOUNT PAYING FIVE PER CENT INTEREST. THE BLOCKED ACCOUNTS WOULD BE FREE AND THE INTEREST RATE CHANGED IN ACCORDANCE WITH THE NEEDS OF THE MARKET.

3. COMMENT: THE PURPOSE OF THE MEASURE IS THEORETICALLY LIMITED OFFICIAL USE

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TO SUPPORT THE DOLLAR WITHOUT FLOODING THE MARKET WITH

LEBANESE POUNDS. KNOWLEDGEABLE SOURCES IN BANKING
CIRCLES, HOWEVER, ARE HIGHLY SKEPTICAL AS TO ITS
EFFICACY AND CONCLUDE THAT THE CENTRAL BANK IS MERELY
REACTING TO PRESSURE FROM THE PRESIDENT'S OFFICE "TO
DO SOMETHING" IN THE ANTI-INFLATION FIELD.
GODLEY

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NNN

Message Attributes

Automatic Decaptioning: X
Capture Date: 01 JAN 1994
Channel Indicators: n/a
Current Classification: UNCLASSIFIED
Concepts: CENTRAL BANK, DOLLAR, ANTIINFLATIONARY PROGRAMS
Control Number: n/a
Copy: SINGLE
Draft Date: 19 SEP 1974
Decaption Date: 01 JAN 1960
Decaption Note:
Disposition Action: RELEASED
Disposition Approved on Date:
Disposition Authority: cunninfx
Disposition Case Number: n/a
Disposition Comment: 25 YEAR REVIEW
Disposition Date: 28 MAY 2004
Disposition Event:
Disposition History: n/a
Disposition Reason:
Disposition Remarks:
Document Number: 1974BEIRUT11363
Document Source: CORE
Document Unique ID: 00
Drafter: n/a
Enclosure: n/a
Executive Order: N/A
Errors: N/A
Film Number: D740263-0894
From: BEIRUT
Handling Restrictions: n/a
Image Path:
ISecure: 1
Legacy Key: link1974/newtext/t19740933/aaaabpps.tel
Line Count: 67
Locator: TEXT ON-LINE, ON MICROFILM
Office: ACTION NEA
Original Classification: LIMITED OFFICIAL USE
Original Handling Restrictions: n/a
Original Previous Classification: n/a
Original Previous Handling Restrictions: n/a
Page Count: 2
Previous Channel Indicators: n/a
Previous Classification: LIMITED OFFICIAL USE
Previous Handling Restrictions: n/a
Reference: BEIRUT 9035
Review Action: RELEASED, APPROVED
Review Authority: cunninfx
Review Comment: n/a
Review Content Flags:
Review Date: 21 AUG 2002
Review Event:
Review Exemptions: n/a
Review History: RELEASED <21 AUG 2002 by martinml>; APPROVED <04 MAR 2003 by cunninfx>
Review Markings:

Declassified/Released
US Department of State
EO Systematic Review
30 JUN 2005

Review Media Identifier:
Review Referrals: n/a
Review Release Date: n/a
Review Release Event: n/a
Review Transfer Date:
Review Withdrawn Fields: n/a
Secure: OPEN
Status: NATIVE
Subject: FURTHER CENTRAL BANK MEASURES TO STRENGTH DOLLAR
TAGS: EFIN, LE
To: STATE
Type: TE
Markings: Declassified/Released US Department of State EO Systematic Review 30 JUN 2005